

Message Text

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ACTION EUR-25

INFO OCT-01 AF-10 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 3494

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AMEMBASSY TUNIS

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E.O. 11652: N/A

TAGS: ENRG, LY, IT

SUBJECT: ENI-LIBYA PETROLEUM EXPLORATION AGREEMENT

1. ENI'S OIL PROSPECTING SUBSIDIARY AGIP SIGNED A PETROLEUM EXPLORATION AGREEMENT WITH LIBYA IN ROME FEBRUARY 26, ONE DAY AFTER THE SIGNING OF AN ECONOMIC UNDERSTANDING BETWEEN ITALY AND LIBYA (ROME 7287 NOTAL) ON THE OCCASION OF THE VISIT TO ITALY OF LIBYAN PRIME MINISTER JALLUD. AGREEMENT GRANTS TO AGIP FOUR NEW CONCESSIONS TOTALING 144,000 SQUARE KILOMETERS. TWO CONCESSIONS ARE IN RELATIVELY UNEXPLORED, BUT REPORTEDLY PROMISING OFFSHORE AREA (44,000 SQUARE KILOMETERS) NEAR TUNISIAN BORDER, AND TWO ONSHORE NEAR THE FULF OF SIRTE AND THE CUFRA OASIS

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(100,000 SQUARE KILOMETERS).

2. AGREEMENT PROVIDES FOR PRODUCTION SHARING AND PARTIAL REIMBURSEMENT BY LIBYANS OF AGIP EXPLORATION EXPENSES IN EVENT OF OIL DISCOVERY, REPORTEDLY ALONG LINES OF RECENT OCCIDENTAL-LIBYA AGREEMENT IN WHICH LIBYAN SHARE OF PRODUCTION IS ESTABLISHED AT 81 PERCENT, OCCIDENTAL'S 19 PER CENT. ENI SOURCES INFORM US, HOWEVER, THAT SOMEWHAT DIFFERENT TERMS OF ITS AGREEMENT COULD YIELD AGIP AS MUCH AS 22-25 PER CENT SHARE OF PRODUCTION, AT LEAST IN OFFSHORE AREA. AGIP'S PLANNED EXPLORATION EXPENDITURES ARE SAID TO BE IN LINE WITH THE \$90 MILLION OCCIDENTAL INVESTMENT PLANS. AGIP WILL REPORTEDLY HAVE FIRST OPTION TO BUY BACK OIL FROM LIBYAN SHARE OF PRODUCTION, BUT PRICE AND TERMS REMAIN TO BE NEGOTIATED.

3. COMMENT: AGIP AND OTHER ENI SUBSIDIARIES ARE ALREADY HEAVILY ENGAGED IN LIBYA, THE MOST IMPORTANT ELEMENT OF WHICH IS THE AGIP-LNOC 50-50 JOINT VENTURE OF SEPTEMBER 30, 1972 COVERING AGIP'S CONCESSION 82 AND 100. THE FAMOUS BU ATTIFEL FIELD IS LOCATED IN THIS AREA AND CURRENTLY BEING EXPLOITED BY AGIP AND LNOC AT A PRODUCTION LEVEL OF ABOUT 10 MILLION TONS A YEAR. LIBYAN CRUDE IS EXTREMELY IMPORTANT TO ENI, PRESENTLY ACCOUNTING FOR AN ESTIMATED 40 PERCENT OF ENI'S OVERALL CRUDE OIL SOURCES. VOLP
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